

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

TRANSPERFECT GLOBAL, INC.;  
TRANSPERFECT TRANSLATIONS  
INTERNATIONAL, INC.; AND  
TRANSLATIONS.COM, INC.,

Plaintiff/Counterclaim  
Defendant,

v.

MOTIONPOINT CORPORATION,

Defendant/Counterclaim  
Plaintiff.

No. C 10-2590 CW

ORDER DENYING  
MOTION FOR RELIEF  
FROM JUNE 20, 2012  
ORDER GRANTING  
MOTION FOR  
DISQUALIFICATION  
OF COUNSEL

On May 30, 2012, in this patent infringement case, Plaintiffs and Counterclaim Defendants TransPerfect Global, Inc., TransPerfect Translations, International, Inc., and Translations.com, Inc., collectively referred to as TransPerfect, moved to disqualify Defendant and Counterclaim Plaintiff MotionPoint Corporation's counsel McDermott Will & Emery, LLP. The motion was referred to Magistrate Judge Spero, who held a hearing on June 20, 2012, and granted the motion.

Subsequently, McDermott and MotionPoint moved for relief from the non-dispositive disqualification order. The Court permitted the parties to file supplemental briefing on the limited issue of whether a later-acquired client may obtain disqualification of counsel for an earlier-acquired client. Having considered all of the parties' submissions, the Court DENIES MotionPoint's motion for relief from the Magistrate Judge's June 20, 2012 order.

## BACKGROUND

TransPerfect commenced this action in June 2010. Phil Shawe and Elizabeth Elting are the co-Chief Executive Officers and co-owners of TransPerfect. Shawe and Elting own forty-nine and fifty percent of the company, respectively, and it is undisputed that they are significantly involved in management. Prior to April 2011, Carlyn S. McCaffrey was a partner at Weil, Gotshal & Manges LLP, and represented Shawe and Elting, providing estate planning services. In April 2011, McCaffery left Weil to join McDermott, but continued to represent Shawe and Elting at McDermott, even though McDermott was representing MotionPoint in this action.

## LEGAL STANDARD

A magistrate judge's order on a non-dispositive pre-trial matter shall be modified or set aside only if the reviewing district court finds that the order is clearly erroneous or contrary to law. Fed. R. Civ. P. 72(a). An order is clearly erroneous when, "although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." United States v. U.S. Gypsum Co., 333 U.S. 364, 395 (1948).

## DISCUSSION

MotionPoint objects to the following portions of the Magistrate Judge's June 20, 2012 order: (1) that TransPerfect's delay in bringing the motion for disqualification of counsel did not warrant denying this motion and (2) that McDermott's representation of Shawe and Elting in unrelated estate planning matters creates a conflict of interest within the meaning of

1 California Rule of Professional Conduct 3-310(C)(3). Mot. for  
2 Relief at 2.

3 MotionPoint fails to demonstrate that the June 20, 2012 order  
4 disqualifying counsel is clearly erroneous or contrary to law.  
5 With respect to the delay and other equities presented on the  
6 motion for disqualification, the June 20, 2012 order discussed the  
7 equities and policy concerns at length and found that MotionPoint  
8 cited no California authority denying a disqualification motion  
9 based on concurrent representation, rather than successive  
10 representation, upon only a finding of delay and prejudice. June  
11 20, 2012 Order at 17.

12 With respect to MotionPoint's second objection on the ground  
13 that McDermott did not breach its duty of loyalty to Shawe and  
14 Elting within the meaning of Rule 3-310(C)(3), the holding of the  
15 June 20, 2012 order that McDermott's representation of MotionPoint  
16 is directly adverse to Shawe and Elting, who together own 99% of  
17 TransPerfect, is not clearly erroneous or contrary to law. With  
18 respect to the particular issue briefed by the parties on the  
19 instant motion, whether a later-acquired client may obtain  
20 disqualification of counsel for an earlier-acquired client,  
21 MotionPoint has not demonstrated that the June 20, 2012 order  
22 should be set aside.

23 Rule 3-310(C) of the California Rules of Professional Conduct  
24 provides,

25 A member shall not, without the informed written consent of  
26 each client:

27 (1) Accept representation of more than one client in a  
28 matter in which the interests of the clients  
potentially conflict; or

1 (2) Accept or continue representation of more than one  
2 client in a matter in which the interests of the  
3 clients actually conflict; or

4 (3) Represent a client in a matter and at the same  
5 time in a separate matter accept as a client a person  
6 or entity whose interest in the first matter is  
7 adverse to the client in the first matter.

8 Rule 3-310(C)(3) "represents a 'per se rule of disqualification  
9 which generally prevents an attorney from undertaking a  
10 representation which is adverse to a current client.'" Pour Le  
11 Bebe, Inc. v. Guess? Inc., 112 Cal. App. 4th 810, 822 (2003). See  
12 Flatt v. Superior Court, 9 Cal. 4th 275, 284 (1994)("Indeed, in  
13 all but a few instances, the rule of disqualification in  
14 simultaneous representation cases is a per se or 'automatic'  
15 one."). "Subparagraph (C)(3) is intended to apply to  
16 representations of clients in both litigation and transactional  
17 matters." Cal. Rules of Prof. Conduct 3-310 Discussion.

18 In Truck Insurance Exchange v. Fireman's Fund Insurance  
19 Company, 6 Cal. App. 4th 1050, 1057 (1992), the defendant  
20 Fireman's Fund Insurance Company (FFIC), which was the firm's  
21 first-acquired client, successfully moved to disqualify the firm  
22 from representing the plaintiff Truck, which was the later-  
23 acquired client. The firm was asked to represent Truck in  
24 litigation against the FFIC and others. It discovered that it had  
25 been defending an entity related to the FFIC in two wrongful  
26 termination suits. The firm informed FFIC of Truck's request for  
27 representation. FFIC objected to the concurrent representation  
28 and did not provide written consent. The firm, nevertheless,  
proceeded to represent Truck. The court of appeal affirmed the

1 trial court's order granting FFIC's motion to disqualify the firm  
 2 because the firm knowingly created the conflict and could not  
 3 avoid the automatic disqualification rule applicable to concurrent  
 4 representation by withdrawing from representation of the less  
 5 favored client. 6 Cal. App. 4th at 1057. That the firm withdrew  
 6 from its representation of its FFIC, its first client, did not  
 7 cure the conflict caused by concurrent representation.

8 Truck does not address the question presented here, whether a  
 9 later-acquired client may obtain disqualification of counsel for a  
 10 pre-existing client. MotionPoint argues that the court in Truck  
 11 implicitly held that the duty of loyalty runs to the first-  
 12 acquired client because the firm was prohibited from withdrawing  
 13 its representation of the pre-existing client so as to continue to  
 14 represent the later acquired client. Def.'s Reply at 3-4 (citing  
 15 Truck, 6 Cal. App. 4th at 1055-56 (the firm, "knowing that it was  
 16 representing FFIC in the wrongful termination cases, nevertheless  
 17 agreed to begin representing Truck against FFIC in the insurance  
 18 coverage case.")) (emphasis added in Reply Brief). However, in  
 19 recognizing the distinction between former representation and  
 20 concurrent representation, the court of appeal emphasized the  
 21 concern for the duty of loyalty owed to each client and did not  
 22 differentiate between an earlier- and later-acquired client in the  
 23 case of concurrent representation:

24 In cases involving the representation of a  
 25 client against a former client, "the initial  
 26 question is 'whether the former representation is  
 27 "substantially related" to the current  
 28 representation.' (See Trone v. Smith (9th Cir.  
 1980) 621 F.2d 994, 998, and authorities cited  
 therein.)" (Global Van Lines v. Superior Court,  
 [144 Cal. App. 3d 483, 488 (1983)], fn. omitted.)  
 "Substantiality is present if the factual contexts

of the two representations are similar or related." (Trone v. Smith (9th Cir. 1980) 621 F.2d 994, 998.) If a substantial relationship exists, courts will presume that confidences were disclosed during the former representation which may have value in the current relationship. Thus, actual possession of confidential information need not be proven when seeking an order of disqualification. (Civil Service Com. v. Superior Court (1984) 163 Cal.App.3d 70, 79-80.)

In contrast, in the concurrent representation context "[t]he principle precluding representing an interest adverse to those of a current client is based not on any concern with the confidential relationship between attorney and client but rather on the need to assure the attorney's undivided loyalty and commitment to the client. [Citations.]" (Civil Service Com. v. Superior Court, *supra*, 163 Cal.App.3d at p. 78, fn. 1.) This distinction between former representation and concurrent representation, and the distinct concerns at issue, are well recognized: "In contrast to representation undertaken adverse to a former client, representation adverse to a present client must be measured not so much against the similarities in litigation, as against the duty of undivided loyalty which an attorney owes to each of his clients." (Unified Sewerage Agency, etc. v. Jelco Inc. (9th Cir. 1981) 646 F.2d 1339, 1345, *italics in original*; see also Cinema 5, Ltd. v. Cinerama, Inc. (2d Cir. 1976) 528 F.2d 1384, 1386.) If this duty of undivided loyalty is violated, "public confidence in the legal profession and the judicial process" is undermined. (See In re Yarn Processing Patent Validity Litigation (5th Cir. 1976) 530 F.2d 83, 89.)

Truck, 6 Cal. App. 4th at 1056-57.

In support of their argument that counsel's duty of loyalty runs to its first client, such that counsel may not be disqualified from representing an existing client on a motion by a later-acquired client, MotionPoint and McDermott cite Friskit v. RealNetworks, Inc., 2007 WL 1994204 (N.D. Cal.). There, the Chief Executive Officer and chairman of the defendant company moved to disqualify a firm representing the plaintiff because, after the firm had begun representing the plaintiff, the CEO retained the

1 firm in an unrelated matter. The court denied a motion for  
2 disqualification and stated that it is "clear that the duty of  
3 loyalty runs to the first client and precludes disqualification at  
4 the instance of the later-acquired client." Friskit, 2007 WL  
5 1994204 at \*1.

6 The Magistrate Judge expressly rejected MotionPoint's  
7 reliance on Friskit in favor of the reasoning set forth in Fujitsu  
8 Limited v. Belken International, et al., 2010 WL 5387920 (N.D.  
9 Cal.). June 20, 2012 Order at 15-16. In Fujitsu, the defendant  
10 Netgear moved to disqualify the law firm of Baker Botts, which  
11 concurrently represented the plaintiff Fujitsu. Fujitsu was Baker  
12 Bott's first-acquired client, while Netgear was the firm's later-  
13 acquired client. Baker Botts conceded that, during the period of  
14 concurrent representation, Fujitsu and Netgear were adverse to  
15 each other and it had simply "overlooked the adversity between  
16 Fujitsu and Netgear" at the time that Netgear engaged the firm to  
17 represent it. 2010 WL 5387920 at \*3. Baker Botts argued that it  
18 cured the defect by withdrawing from its representation of  
19 Netgear, the second client. Citing Truck, Baker Botts contended  
20 that California law prohibited counsel from withdrawing its  
21 representation of a pre-existing client in favor of a new client,  
22 but allowed counsel to withdraw from representing the later-  
23 acquired client. 2010 WL 5387920 at \*6. The court, however,  
24 rejected that view. In Fujitsu, the court determined that Truck  
25 did not distinguish between pre-existing and later-acquired  
26 clients and cited subsequent state appellate court authority  
27 holding that "a lawyer may not avoid the automatic  
28 disqualification rule inapplicable to concurrent representation of

1 conflicting interests by unilaterally converting a present client  
2 into a former client.'" 2010 WL 5387920 at \*7 (quoting Pour Le  
3 Bebe, Inc. v. Guess? Inc., 112 Cal. App. 4th 810, 822 (2003)).

4 In granting the motion for disqualification, the Magistrate  
5 Judge agreed with the analysis of California law set forth in  
6 Fujitsu and held that the per se rule of disqualification applies  
7 to McDermott's concurrent representation conflict. Having  
8 considered the relevant authority, the Court determines that the  
9 June 20, 2012 order was not clearly erroneous or contrary to law.

10 CONCLUSION

11 For the reasons set forth above, MotionPoint's motion for  
12 relief from the Magistrate Judge's June 20, 2012 order is denied.  
13 Docket No. 204.

14 IT IS SO ORDERED.

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16 Dated: 9/11/2012

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18 CLAUDIA WILKEN  
19 United States District Judge  
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